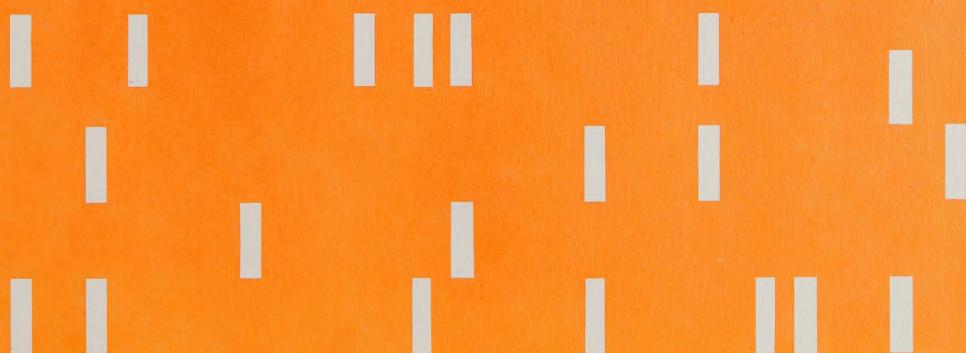


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Canada Dept. of Industry & Commerce

3  
DOING BUSINESS IN CANADA

**TAXATION  
SALES, EXCISE, COMMODITY**

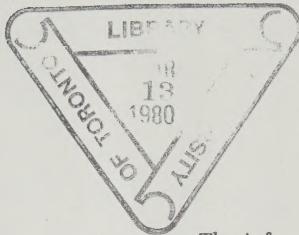


Government  
of Canada

Industry, Trade  
and Commerce

Gouvernement  
du Canada

Industrie  
et Commerce



## FOREWORD

The information in this booklet deals with the incidence of sales, excise and commodity taxes. It is intended as a guide in this field of taxation and, as such, refers only to the basic principles involved.

Every effort has been made to accurately reflect the legislation in force at the time of preparing the material. However, since the law contains a considerable amount of detail, it is suggested that an enquirer consult with relevant authorities or solicitors of his choice, or both, when seeking precise and detailed advice on a given problem.

While the Department of Industry, Trade and Commerce is prepared to assist manufacturers requiring guidance on these matters, specific information can be obtained from any of the district sales tax offices of Revenue Canada located throughout the country. Head office of Revenue Canada is in Ottawa.

Titles of publications available from the Department of Industry, Trade and Commerce in the series "Doing Business in Canada" are:

- No. 1 — The Business Environment
- No. 2 — Forms of Business Organization in Canada
- No. 3 — Canadian Customs Duties
- No. 4 — Taxation — Income, Business, Property
- No. 5 — Taxation — Sales, Excise, Commodity
- No. 6 — Labour Legislation
- No. 7 — Construction and Equipment Standards
- No. 8 — Federal Incentives to Industry
- No. 9 — Patents, Trade Marks, Industrial Designs and Copyrights
- No. 10 — Financing Canadian Industries.

Further information is available from:

The Business Centre (34/2)  
Department of Industry, Trade and Commerce  
235 Queen Street  
Ottawa, Ontario K1A 0H5  
Tel: Call collect (613) 995-5771  
Telex: 053-4123

Revised 1979

## TAX REGULATIONS

Local governments are authorized to levy any tax or excise tax as they choose to do, and no state or federal authority can interfere with this authority. The only restriction on this authority is that the tax must not be discriminatory and that the tax must not exceed the amount of revenue which the state or federal authority has been authorized to levy. The amount of revenue which the state or federal authority has been authorized to levy is determined by the amount of revenue which the state or federal authority has been authorized to levy.

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## FEDERAL SALES TAX

A consumption or sales tax is imposed by the federal government, with certain exceptions, on the selling price of goods manufactured or produced in Canada, payable by the manufacturer or producer when the goods are delivered to the purchaser or when the ownership of the goods is transferred, whichever is the earlier. Imported goods, with certain exceptions, are also subject to the sales tax, payable on the Customs duty-paid value at the time of entry for consumption in Canada. The full rate of tax, which is imposed under the Excise Tax Act, is currently 9 per cent.

Items exempted from sales tax include foodstuffs, clothing, some educational materials, health goods, certain goods used by municipalities, materials consumed or expended in a manufacturing process, machinery and apparatus used directly in the manufacture or production of goods, construction equipment, transportation equipment, and implements used in the agricultural and fishing industries.

Most building materials are subject to a reduced rate of tax of five per cent.

Manufacturers or producers (including remanufacturers and rebuilders) of goods subject to federal sales tax are required to obtain a manufacturer's sales tax license. Licensed manufacturers are permitted to purchase or import articles and materials for further manufacture free of sales tax, provided they quote their license number and certify that the articles or materials are to be used in, wrought into, or attached to, taxable goods for sale.

There are two points that are of particular interest to the foreign manufacturer who

proposes to establish a manufacturing operation in Canada and, in so doing arranges for an exclusive distributorship or takes his distributor into partnership with him.

First: if the manufacturing firm and the distributor are affiliated concerns, it is possible that the selling price of goods to the distributor will not be accepted as a "fair price" for sales tax purposes. In such situations, the taxable value will be the value at which the goods are resold to independent purchasers (subject to tax equalization adjustments that are widely allowed by the administration). Second: if the distributor owns the patent, or supplies the moulds, or has the products made to his own specifications or to the specifications of the foreign parent, or has exclusive sales rights to the goods, then it is possible that the distributor will be regarded for sales tax purposes as the manufacturer of the goods.

The Excise Tax Act also provides for the issuance of licenses to bona-fide wholesalers whose sales meet certain requirements. These licensed wholesalers are permitted to purchase and import goods for resale exempt from sales tax. A licensed wholesaler is required to account for sales tax on all goods sold under taxable conditions, whether the goods are new, used or secondhand, calculated on the cost price.

Clearly, these tax factors have a direct influence on prices, and firms making arrangements in this area would find it prudent to discuss the tax ramifications at any regional excise office of Revenue Canada listed in Appendix "A".

## FEDERAL EXCISE TAX

Excise tax, in addition to the sales tax, is imposed on certain specified goods, whether manufactured or produced in Canada or imported into Canada. The list of items subject to excise tax includes tobacco and related products, wines, jewellery, aircraft for personal use, cars, motorcycles and outboard motors in excess of a specified size, and gasoline. Complete details can be found in the Excise Tax Act, a copy of which may be purchased from the Publishing Centre, Department of Supply and Services, Ottawa, Canada, K1A 0S9.

Revenue Canada requires that all persons or firms manufacturing or producing goods subject to an excise tax must operate under a

manufacturer's excise tax license. The license whether a manufacturer's sales tax, a manufacturer's excise tax, or a wholesaler's license, is obtainable from the Regional Chief, Compliance/Collections, or the District Excise Office (see Appendix "A") serving the area in which the company or individual proposes to operate.

Manufacturers licensed for excise tax purposes may purchase or import free from excise tax, excisable goods that are to be incorporated into and form a part of an article or product that is subject to excise tax, provided they quote their excise tax license number and relevant certificate. The procedure for

filling returns and paying excise tax is similar to that for sales tax.

As sales and excise taxes are remitted by licensed manufacturers or licensed wholesalers, retailers are not concerned with filing sales and/or excise tax returns nor with remitting taxes to Revenue Canada, unless they become liable as manufacturers or producers of taxable goods. However, licensed manufacturers or licensed wholesalers will likely add the amount of sales and/or excise tax they have had to pay to the price of the goods they sell to retailers and other unlicensed purchasers. Unlicensed importers pay sales and excise taxes at the time goods are cleared through Customs, unless the goods are imported in bond in which case the taxes are paid at the time goods are taken out of bond for consumption.

When goods on which duties and/or

taxes have been paid are used or directly consumed in, wrought into, or attached to any article manufactured or produced in Canada and then exported, a drawback of 99 per cent of the duties and/or taxes paid may be allowed. When goods of domestic manufacture are exported from Canada on direct shipment by the manufacturer or producer, the excise and sales tax which might have otherwise been payable are not imposed.

Where any doubt exists concerning status under the Excise Tax Act, inquiries should be addressed to the nearest Regional or District Excise office listed in Appendix "A", or the:

Excise Branch  
Revenue Canada  
Customs and Excise  
Ottawa, Canada K1A 0L5

## PROVINCIAL SALES TAX

Nine provinces levy a direct sales tax on goods sold, used or consumed within the province as follows:

Newfoundland	11%
New Brunswick, Nova Scotia,	
Prince Edward Island, Québec	8%
Manitoba, Saskatchewan	5%
British Columbia	4%
Ontario	7%

The province of Alberta does not levy a direct sales tax.

All nine provincial levies are retail sales taxes imposed in respect of the consumption of goods. Retail sales are defined as sales to consumers or users for purposes of consumption or use, not for resale. Most provinces also tax certain services, the most important being telephones, telecommunications, prepared meals and hotel accommodation. Each of the provinces requires vendors to obtain licenses or registration certificates.

The word "vendor" includes all retailers as well as manufacturers and wholesalers making retail sales. In practice, these latter firms are required to register, even though they are not selling at retail, in order to purchase without tax those materials that they buy for resale. Having registered, they are then in a position to quote license or certificate numbers to claim exemption.

Retailers are required to keep adequate records to show taxable and nontaxable sales, purchases, goods taken from stock for personal use, and tax collected.

The major groups exempted from provincial sales taxes are as follows: (1) food — although the definition of food in each province varies slightly, (2) farm implements, machinery and related items; farm livestock, feed, seed and fertilizer, (3) fuels—the degree of exemption varies from province to province, (4) goods purchased for purposes of further processing, fabrication or manufacture prior to sale, (5) industrial machinery — only in certain provinces where the machinery is used directly in manufacturing or processing goods for sale, and (6) children's clothing — in most provinces.

The foregoing is only an outline of the major exemptions to provincial sales taxes and, in view of the numerous exceptions and qualifications involved, details on this subject should be obtained from the provincial authorities.

In most provinces licensed vendors are permitted to deduct a small percentage from the amount due to the taxing authority to cover their administrative costs in collecting the tax.

## ALCOHOLIC BEVERAGES AND PRODUCTS

Alcohol, alcoholic beverages, and alcoholic products are, with minor exceptions, subject to excise duty under the federal Excise Act. Manufacturing members of the trade must hold a license. Copies of the Excise Act may be purchased from the Publishing Centre, Department of Supply and Services, Ottawa, Canada K1A 0S9.

Applications for licenses under the Excise Act are filed with the Regional Director of Excise at any of the 11 Regional Excise Offices listed in Appendix "A". It is important to note that applicants must be financially able to fulfill the obligations they incur as licensees. In all cases, a bond must be filed with Revenue Canada in such sums as may be designated in addition to the payment of the requisite license fee.

Under the Excise Act the annual license fee for the production and bottling of distilled spirits, including the manufacture of industrial and denatured alcohol is \$250; for the production of beer, ale, etc., \$50. With regard to chemical stills, there is an annual fee of \$2 for the importation, manufacture, possession and use of units exceeding five gallons; bona fide public hospitals are exempted.

Persons using spirits at a reduced rate of excise duty in the manufacture of pharmaceutical preparations and flavouring extracts, vinegar, perfume and toilet preparations, domestic wine when fortified with spirits, and certain chemical products, are required to pay an annual fee of \$50 for each license they obtain.

Liquor control acts have been enacted in all provinces. There is considerable variation in detail but the salient feature of all is the establishment of a provincial monopoly on the retail sale of alcoholic beverages. All sales are taxed heavily.

Each province has established a board or commission responsible for the administration of its liquor control act. Each act requires that brewers and distillers producing and selling within the province must obtain a provincial license.

All retail outlets must be provincially licensed. There is considerable variation among provinces in the regulations with regard to the type of outlet through which alcoholic beverages may be sold at retail, as well as in connection with the equipment, accommodation, etc., of businesses which can apply for a license.

Alcoholic beverages are sold through government liquor stores in all provinces and licenses may be obtained by such other outlets as cocktail lounges, restaurants, canteens, clubs and hotels. In Manitoba, Ontario and Newfoundland, beer may be sold through brewers' retail stores; in Québec, through grocery stores; and in Saskatchewan through licensed beer parlours and beverage rooms for off-premise consumption. In Newfoundland, beer may also be retailed by agents licensed by the Board of Liquor Control. In certain smaller centres in Saskatchewan, responsible persons may be appointed to act as special liquor vendors. Ontario permits local wine producers to sell at retail under certain restrictions.

It should be noted that restaurants and hotels, in their provision of food and drink, are also required to be licensed under regulations concerned with public health. All provinces have a licensing requirement and supervision is maintained through a system of inspection. The definition of a hotel is usually considered to include any building used mainly for the purpose of catering to the sleeping needs of the public, including tourist cabins, overnight cabins and motels. In the province of Québec, control extends to boarding houses as well. In other provinces, such premises are normally regulated by municipal authorities.

Provincial licensing requirements extend also to manufacturers of vinegar, perfumes, pharmaceuticals, patent or proprietary medicines and essences. Such manufacturers must have special permission to have and use distilled spirits in their production operations. These requirements are over and above the licenses required by Revenue Canada.

## TOBACCO AND TOBACCO PRODUCTS

Tobacco and tobacco products are subject to excise duty under the federal Excise Act. Copies of the Act may be purchased from the Publishing Centre, Department of Supply and Services, Ottawa, Canada K1A 0S9.

Manufacturers of cigars and/or tobacco products (including cigarettes and snuff) must obtain an annual license under the Excise Act from the Regional Director of Excise in whose district their business is carried on. The fee is \$50 for permission to operate either as a cigar manufacturer or as a tobacco products manufacturer. Bond must be filed with Revenue Canada in each case. Persons dealing in preparing, packing or stemming Canadian raw leaf tobacco, or employing others to do so on their behalf, must also be licensed and file bond. The fee is \$50 annually.

All provinces levy a specific tax on cigarettes, ranging from 8/25 of 1¢ per cigarette in Alberta to 1 1/5¢ per cigarette in Newfoundland. They also levy an ad valorem tax on cigars. Nova Scotia and Québec levy an ad valorem tax of 15 per cent and 25 per cent on the retail price of tobacco while all other provinces levy a specific tax which ranges from 2¢

per 1/2 oz. in Alberta to 5¢ per 1/2 oz. in Ontario and Newfoundland. In addition, in Newfoundland, a tax of 10 per cent is imposed under the Retail Sales Tax Act on the fair value (including tobacco tax) of all tobacco products.

Vendors are required by provincial authorities to be licensed or registered in order that returns and remittances can be properly controlled.

All of the larger municipalities likewise require vendors to hold a license before selling tobacco products at retail. There is usually a differential in the fee dependent on whether the vendor is concerned solely with tobacco or with various types of manufactured tobacco products.

Some provinces have prohibited the use of vending machines for the sale of cigarettes since the merchant is not in a position to check the age of the purchaser (almost all provinces have specified a minimum age). In other instances, cigarette vending machines can be used only where a license has been obtained from municipal authorities.

## BONDED MANUFACTURERS AND BONDING WAREHOUSES

Applications for a license to manufacture in bond under the federal Excise Act must be made to the Regional Director of Excise in whose region business is to be carried on. The license fee is \$50. In addition, a guarantee bond must be furnished to Revenue Canada in such sums as may be designated.

A manufacturer in bond is one who, under authority of the Excise Act, may receive into his premises alcoholic goods at preferred rates of excise duty when for use in the manufacture of products such as proprietary medicines, pharmaceutical preparations, essences and extracts, perfumes, vinegar, fortified wines, approved chemical compositions, toilet preparations, and certain cosmetics. The products are manufactured under government supervision.

An excise bonding warehouse is any approved premises where goods subject to excise duty may be stored in bond. Goods may be transferred in bond from one bonding warehouse to another or exported in bond without payment of excise duty. In cases of transferral or export, the shipper is liable for any accrued excise duty until the obligation of the bond is cancelled by the delivery of the goods.

Except in the case of spirits and alcohol, the sale of which is further controlled by provincial liquor boards or commissions, excisable goods are shipped without restriction when duty has been paid. Potable spirit, even when duty has been paid, is shipped only to provincial liquor boards, commissions, or persons holding provincial permits.

## AMUSEMENT OR ENTERTAINMENT TAX

Five of the 10 provinces, Ontario, Québec, New Brunswick, Nova Scotia and Prince Edward Island, have an admission tax of about 10 per cent to places of entertainment. Cities, towns and villages in Manitoba and Saskatchewan may also impose a tax on

admission to places of entertainment. Generally a license fee is also imposed on the operator or owner of these amusement places in each province except Newfoundland. The tax on admissions ranges from five to 15 per cent.

### GASOLINE TAXES

All provinces levy taxes on gasoline, diesel or other motive fuels. In levying these taxes, special consideration is extended in the form of tax exemption, or refund of tax, when gasoline is used in certain "off-highway" or stationary industrial applications.

In order to protect their revenues from these taxes, all provinces require that parties handling gasoline be licensed. Licenses are

required by importers, refiners, distributors, jobbers, wholesalers, retailers and agents, in order to offer for sale and to sell gasoline, kerosene or distillate.

As a further measure of control, most provinces require that a permit be obtained to place, erect, or alter any gasoline pump in whole or in part.

**APPENDIX "A"**  
**REGIONAL AND DISTRICT EXCISE OFFICES**

**HALIFAX REGION**

Regional Director, Excise  
 Revenue Canada  
 Halifax Insurance Building  
 5670 Spring Garden Road  
 P.O. Box 1658  
 Halifax, Nova Scotia  
 B3J 2Z8

District Manager, Excise  
 Revenue Canada  
 Duckworth Street  
 P.O. Box 5500  
 St. John's, Newfoundland  
 A1C 5W4

District Manager, Excise  
 Revenue Canada  
 MacSpear Building  
 77 Vaughan Harvey Boulevard  
 P.O. Box 1070  
 Moncton, New Brunswick  
 E1C 8P2

District Manager, Excise  
 Revenue Canada  
 Customs Building  
 Prince William Street  
 P.O. Box 6865  
 Saint John, New Brunswick  
 E2L 4C3

Resident Auditor, Excise  
 Revenue Canada  
 Herald Towers  
 P.O. Box 354  
 Corner Brook, Newfoundland  
 A2H 6Z3

Resident Auditor, Excise  
 Revenue Canada  
 Eastern Canada Building  
 Room 309, 212 Queen Street  
 P.O. Box 1291  
 Fredericton, New Brunswick  
 E3C 5C8

Resident, Auditor, Excise  
 Revenue Canada  
 Dominion Building  
 Queen Street, P.O. Box 1177  
 Charlottetown, Prince Edward Island  
 C1A 7M8

Resident Auditor, Excise  
 Revenue Canada  
 Moosehead Building  
 226 Townsend Street  
 Sydney, Nova Scotia  
 B1P 5E6

**QUEBEC REGION**

Regional Director, Excise  
 Revenue Canada  
 2815, boul. Laurier  
 C.P. 9664  
 Gare Sainte-Foy  
 Québec (Québec)  
 G1V 4C2

District Manager, Excise  
 Revenue Canada  
 Edifice Pollack, Suite 200  
 225, rue Des Forges  
 C.P. 847  
 Trois-Rivières (Québec)  
 G9A 5J9

District Manager, Excise  
 Revenue Canada  
 50, rue Couture  
 C.P. 1177  
 Sherbrooke (Québec)  
 J1H 5L5

District Manager, Excise  
 Revenue Canada  
 282, av. Ste-Anne, 2ième étage  
 C.P. 1000  
 Chicoutimi (Québec)  
 G7H 5G4

**MONTREAL REGION**

Regional Director, Excise  
 Revenue Canada  
 515 ouest, rue Ste-Catherine  
 C.P. 6092  
 Montréal (Québec)  
 H3C 3H3

District Manager, Excise  
 Revenue Canada  
 515 ouest, rue Ste-Catherine  
 C.P. 6092  
 Montréal (Québec)  
 H3C 3H3

District Manager, Excise  
 Revenue Canada  
 535 est, rue Fleury  
 Montréal (Québec)  
 H3J 1G6

District Manager, Excise  
 Revenue Canada  
 Chambre 502  
 5250, rue Ferrier  
 Place Décarie  
 Montréal (Québec)  
 H4P 1L4

## APPENDIX "A"—Continued

## OTTAWA REGION

Regional Director, Excise  
 Revenue Canada  
 5th Floor  
 Teron Building  
 219 Argyle Avenue  
 P.O. Box 8257  
 Ottawa, Ontario  
 K1G 3H7

District Manager, Excise  
 Revenue Canada  
 Room 455  
 101 Worthington Street East  
 P.O. Box 123  
 North Bay, Ontario  
 P1B 8G8

## TORONTO REGION

Regional Director, Excise  
 Revenue Canada  
 4th Floor  
 25 St. Clair Avenue East  
 P.O. Box 100  
 Station "Q"  
 Toronto, Ontario  
 M4T 2L7

District Manager, Excise  
 Revenue Canada  
 Federal Building  
 11 Station Street  
 P.O. Box 87  
 Belleville, Ontario  
 K8N 4Z9

District Manager, Excise  
 Revenue Canada  
 Toronto West  
 2 Eva Road  
 Etobicoke, Ontario  
 M9C 2A8

District Manager, Excise  
 Revenue Canada  
 2 Lansing Square  
 Willowdale, Ontario  
 M2J 4P8

District Manager, Excise  
 Revenue Canada  
 Toronto Centre  
 4th Floor  
 25 St. Clair Avenue East  
 P.O. Box 100  
 Station "Q"  
 Toronto, Ontario  
 M4T 2L7

## HAMILTON REGION

Regional Director, Excise  
 Revenue Canada  
 Suite 840, Stelco Tower  
 100 King Street West  
 P.O. Box 588 ↑  
 Hamilton, Ontario  
 L8N 3K7

District Manager, Excise  
 Revenue Canada  
 London Trust House  
 60 James Street  
 P.O. Box 697  
 St. Catharines, Ontario  
 L2R 6Y3

## KITCHENER REGION

Regional Director, Excise  
 Revenue Canada  
 3rd Floor  
 Waterloo Square Building  
 75 King Street South  
 Waterloo, Ontario  
 N2J 4J3

District Manager, Excise  
 Revenue Canada  
 Suite 400  
 Civic Square Tower  
 70 Collier Street  
 Barrie, Ontario  
 L4M 4Z2

## LONDON REGION

Regional Director, Excise  
 Revenue Canada  
 457 Richmond Street  
 Dominion Public Building  
 3rd Floor  
 P.O. Box 5548  
 Terminal "A"  
 London, Ontario  
 N6A 4R3

District Manager, Excise  
 Revenue Canada  
 6th Floor, Federal Building  
 P.O. Box 360  
 185 Ouellette Avenue  
 Windsor, Ontario  
 N9A 6L7

**APPENDIX "A"—Continued****WINNIPEG REGION**

Regional Director, Excise  
Revenue Canada  
13th Floor  
Royal Bank Building  
220 Portage Avenue  
Winnipeg, Manitoba  
R3C 0A5

District Manager, Excise  
Revenue Canada  
320 - 2045 Broad Street  
Regina, Saskatchewan  
S4P 1Y4

District Manager, Excise  
Revenue Canada  
808 Financial Building  
Saskatoon, Saskatchewan  
S7K 0E9

District Manager, Excise  
Revenue Canada  
Room 308  
33 South Court Street  
Thunder Bay, Ontario  
P7B 2W6

**CALGARY REGION**

Regional Director, Excise  
Revenue Canada  
Suite 605, MacLeod Place  
5920 MacLeod Trail South  
P.O. Box 5555 Station "A"  
Calgary, Alberta  
T2H 2C8

District Manager, Excise  
Revenue Canada  
200 - 10609 — 101st Street  
Edmonton, Alberta  
T5H 2S2

**VANCOUVER REGION**

Regional Director, Excise  
Revenue Canada  
460 Nanaimo Street  
P.O. Box 69090  
Station "K"  
Vancouver, British Columbia  
V5K 4X2

District Manager, Excise  
Revenue Canada  
Room 403 Quadra Centre  
3960 Quadra Street  
Victoria, British Columbia  
V8X 4A3

District Manager, Excise  
Revenue Canada  
Room 219  
3205 - 32nd Street  
Vernon, British Columbia  
V1T 5M7





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